

Statement of
Communications Workers of America
Roundtable Forum
“The Impact of Competition on the Telecommunications Industry”
The Honorable John Conyers, Jr. Presiding
April 4, 2003

My name is Shannon Kirkland. I am with the Communications Workers of America. I appreciate the opportunity to testify today.

CWA represents more than 11,000 employees in the state of Michigan, including employees at SBC-Midwest, AT&T, Cingular wireless, Comcast and numerous other entities. Because CWA represents workers in all segments of the telecommunications industry, we support public policies that allow all companies to compete on a level playing field. If the rules are fair, then the companies with the best service and products will win in the marketplace.

As you know, the telecommunications industry is in difficult times. Over the last year, the Bell companies, AT&T, and Lucent cut more than 43,000 CWA-represented jobs nationwide. Here in Michigan, SBC-Midwest cut hundreds of jobs.

One reason for these job cuts is the current unbundling policies, known as UNE-P. Under UNE-P policies, SBC-Midwest must lease local switching and local loops to competitors at prices that do not allow them to recover their full costs. The system primarily benefits AT&T and MCI WorldCom, who use 75 percent of UNE-P lines.

Last fall, the independent Wall Street analyst UBS Warburg did a detailed study of UNE-P prices. This company has no business interest at stake, except to tell investors where to put their money. UBS Warburg concluded that SBC-Midwest in Michigan loses \$28.00 in revenue for each

UNE-P line leased to a competitor.

Over the past year, SBC-Midwest lost well over one million UNE-P lines just in Michigan.

According to the Michigan Public Service Commission, approximately 25% of Michigan retail customers are being served by our competitors.

The estimate as of the 4th quarter 2002, 2M residential and business customers are served by our competitors.

SBC-Midwest has responded to this revenue loss by cutting jobs and reducing investment. Last year, SBC cut capital expenditures by \$4.4 billion, or 39 percent. What's the impact? Fewer jobs, deteriorating service, delayed investment in high-speed Internet and other new services.

Under UNE-P rules, AT&T and MCI WorldCom are able to sell telephone service without putting one dollar into the network. Why should they build when they can lease it so cheaply? As resellers, AT&T and MCI WorldCom don't create any new plant work or equipment installation work. It is true that CWA-represented workers at AT&T had gained some UNE-P sales and service work, but now AT&T has begun contracting these jobs out. By the way, AT&T is now sending a portion of its long-distance sales and service calls to contractors based in India. Will the UNE-P sales work soon be sent to India too?

What about MCI WorldCom? MCI has a long history destroying good jobs and denying workers rights in Michigan. MCI shut down its Metro Detroit Customer Service Center on December 3, 1986 when workers there tried to organize a union. Four hundred and fifty Detroit area residents lost their jobs as victims of MCI's anti-union attitude. At that time, Representative Conyers stood up for workers and against corporate greed at MCI. At this time of crisis in the telecom industry we hope that our elected officials will stand on the side of workers and keep jobs

in cities like Detroit.

Some argue that UNE-P jumpstarts competition and drives down prices. But at what cost? Loss of tens of thousands of jobs, deteriorating service, and delayed deployment of high-speed Internet and other services. There's something wrong with this model for competition. Imagine if Ford had to lease its cars to Hertz for less than it cost to build the car. In the short-term, Hertz would prosper and consumers would save money. But after a few years, Ford would go out of business. Is that what we want - the only company with a universal network to lose money and go out of business? Then where will we be?

CWA is not opposed to competition. Our members benefit from more jobs and consumers benefit from more choices when lots of companies build networks and hire highly skilled union workers. We believe that it is long past time for SBC-Midwest to be allowed into the long-distance market.

Competition must be based on fair prices and fair rules. Competition must be based on superior service and technology, not undercutting community labor standards or workers rights. If the rules and prices are fair and if companies respect labor rights, consumers will benefit from real marketplace choice and quality service.